

BANK INDONESIA REGULATION

NUMBER: 12/ 11 /PBI/2010

CONCERNING

MONETARY OPERATIONS

BY THE GRACE OF ALMIGHTY GOD

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas in the context of supporting Bank Indonesia's goals to achieve and maintain the stability of the rupiah value, Bank Indonesia exercise monetary management especially through Monetary Operations;
 - b. whereas in the context of facing and anticipating economic, financial and monetary developments, it is necessary to enhance the effectiveness of Monetary Operations;
 - c. whereas based on the considerations as referred to letters (a) and (b), it is deemed necessary to set out provisions on Monetary Operations in a Bank Indonesia Regulation;

- In view of :
- 1. Act Number 7 Year 1992 concerning Banking (State Gazette of the Republic of Indonesia Year 1992 Number 31; Supplement to State Gazette Number 3472) as amended by Act Number 10 Year 1998 (State

Gazette of the Republic of Indonesia Year 1998 Number 182; Supplement to State Gazette Number 3790);

2. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Year 1999 Number 66; Supplement to State Gazette Number 3843) as most recently amended by Act Number 6 Year 2009 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 Year 2008 concerning the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia into an Act (State Gazette of the Republic of Indonesia Year 2009 Number 7; Supplement to State Gazette Number 4962);
3. Act Number 24 Year 2002 concerning Sovereign Debt Securities (State Gazette of the Republic of Indonesia Year 2002 Number 110; Supplement to State Gazette Number 4236);
4. Act Number 19 Year 2008 concerning Sovereign Syariah Securities (State gazette of the Republic of Indonesia Year 2008 Number 70; Supplement to State Gazette Number 4852);

HAS DECIDED:

To stipulate : BANK INDONESIA REGULATION CONCERNING
MONETARY OPERATIONS

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to herein as:

1. Bank shall be Commercial Bank as referred to in the applicable Act concerning Banking, conducting conventional business activities.
2. Monetary Operations shall be the implementation of monetary policies by Bank Indonesia in the context of monetary management through open market operations and standing facilities.
3. Open Market Operation, hereinafter referred to as OMO, shall be transactions in money market conducted by Bank Indonesia with Banks and/or other parties in the context of Monetary Operations.
4. Standing Facilities shall be rupiah lending facility from Bank Indonesia to Banks and deposit facility by Banks at Bank Indonesia in the context of Monetary Operations.
5. Liquidity Absorption shall be the reduction of liquidity in rupiah money market through Monetary Operations.
6. Liquidity Injection shall be the addition of liquidity in rupiah money market through Monetary Operations.

7. Bank Indonesia Certificate, hereinafter referred to as SBI, shall be securities in rupiah currency issued by Bank Indonesia as the acknowledgement of short-term indebtedness.
8. Sovereign Securities, hereinafter referred to as SBN, shall be Sovereign Debt Securities and Sovereign Syariah Securities.
9. Sovereign Debt Securities, hereinafter briefly referred to as SUN, shall be securities in the form of acknowledgement of indebtedness in rupiah currency or foreign currency, the payments of the interest and principal of which are guaranteed by the Government of the Republic of Indonesia, in accordance with the validity tenure thereof, as referred to in the applicable Act.
10. Sovereign Syariah Securities, hereinafter referred to as SBSN, or may be referred to as Sovereign Sukuk, shall be SBN issued based on the sharia principles, either in rupiah currency or foreign currency, as proof of participation in SBSN assets, as referred to in the applicable Act.
11. Bank Indonesia – Scripless Securities Settlement System, hereinafter briefly referred to as BI-SSSS, shall be a facility for transactions with Bank Indonesia including the administration thereof and the electronic administration of securities, which is connected directly among participants, operator and Bank Indonesia – Real Time Gross Settlement system.
12. Bank Indonesia – Real Time Gross Settlement system, hereinafter briefly referred to as BI-RTGS, shall be an electronic fund transfer system among the participants of BI-RTGS system in rupiah currency, the settlement of which is conducted in a real time manner per individual transaction.

CHAPTER II

OBJECTIVES OF MONETARY OPERATIONS

Article 2

- (1) Monetary Operations shall be aimed at achieving the operational target of monetary policies in the context of supporting the achievement of the ultimate goals of the monetary policies of Bank Indonesia.
- (2) The operational target of monetary policies shall be in the form of short-term money market interest rate.

Article 3

The achievement of the operational target of monetary policies as referred to in Article 2 shall be endeavored through the management of liquidity in the rupiah money market by ways of Liquidity Absorption and/or Liquidity Injection.

CHAPTER III

MONETARY OPERATIONS

Part One

Forms of Monetary Operations

Article 4

Monetary Operations shall be conducted by way of:

- a. OMO; and
- b. Standing Facilities.

Part Two
Open Market Operation

Article 5

OMO shall include:

- a. The issuance of SBI;
- b. Securities repurchase agreement (repo) and reverse repo transactions;
- c. Transaction on outright purchase and sale of securities;
- d. Term deposit at Bank Indonesia; and
- e. Sale and purchase of foreign currencies against rupiah.

Article 6

- (1) OMO may be implemented on every business day.
- (2) OMO shall be implemented through a auction and/or non auction mechanism.

Article 7

Term deposit as referred to in Article 5 letter (d) may be subject to early redemption by fulfilling particular requirements.

Article 8

In OMO activities as referred to in Article 5 letter (b), Bank Indonesia may use securities of other parties designated by Bank Indonesia.

Part Three

Standing Facilities

Article 9

- (1) Standing Facilities shall include:
 - a. Rupiah lending facility; and
 - b. Rupiah deposit facility.
- (2) Standing Facilities shall be valid during 1 (one) business day-tenure.

Article 10

- (1) Standing Facilities as referred to in Article 9 shall be provided by Bank Indonesia on every business day.
- (2) The provision of Standing Facilities shall be conducted through a non auction mechanism.

CHAPTER IV

BANK INDONESIA CERTIFICATE

Article 11

SBI issued by Bank Indonesia shall have the following characteristics:

- a. having minimum tenure of 1 (one) month and maximum tenure of 12 (twelve) months, stated in a number of days and commenced as of 1 (one) day following the settlement date up to the maturity date;
- b. issued and traded with a discount system;
- c. issued in a scripless format; and
- d. negotiable.

Article 12

- (1) Bank Indonesia shall administer SBI in an electronic administration system through the Book Entry Registry system in the BI-SSSS.
- (2) The administration system managed by Bank Indonesia as referred to in paragraph (1) shall include a system for recording ownership and settlement of transactions on SBI.
- (3) The SBI ownership recording system as referred to in paragraph (2) shall be in a scripless format.
- (4) Bank Indonesia may appoint other parties to support the administration of SBI as referred to in paragraph (1).
- (5) In the event that the other parties appointed to support the administration of SBI as referred to in paragraph (4) cannot fulfill the requirements set out by Bank Indonesia or cease their business operations, Bank Indonesia shall have the authority to revoke such appointment.

Article 13

- (1) During certain tenure as from the holding of SBI, SBI holders shall be prohibited from making transactions on their SBI with other parties.
- (2) The provision as set out in paragraph (1) shall not be applicable to transactions on SBI conducted by the participants of Monetary Operations with Bank Indonesia.

- (3) Other parties appointed for supporting the administration of SBI as referred to in Article 12 paragraph (4), must administer SBI owned by their customers by complying with the provisions as set forth in paragraph (1).
- (4) Further provisions on the tenure as referred to in paragraph (1) shall be set out in a Bank Indonesia Circular Letter.

Article 14

- (1) Bank Indonesia shall redeem SBI upon maturity at the nominal value.
- (2) Bank Indonesia may redeem SBI prior to maturity upon the agreement of SBI holders.

CHAPTER V

MONETARY OPERATION PARTICIPANTS AND INTERMEDIARIES

Article 15

- (1) Monetary Operation participants shall include:
 - a. OMO participants, namely Banks and/or other parties designated by Bank Indonesia; and
 - b. Standing Facilities participants, namely Banks.
- (2) OMO participants may take part in OMO directly and/or indirectly through intermediaries.
- (3) Standing facilities participants can only take part in standing facilities directly.
- (4) Bank Indonesia shall determine the requirements for Monetary Operation participants and intermediaries.

Article 16

- (1) Monetary Operation participants and intermediaries shall be responsible for the correctness of the data of bids submitted.
- (2) Monetary Operation participants and intermediaries which have submitted their bids shall not be allowed to cancel their bids.
- (3) Monetary Operation participants and intermediaries must comply with the procedures for the submission of bids and the requirements in Monetary Operation transactions stipulated by Bank Indonesia.
- (4) In the event that Monetary Operation participants and intermediaries do not meet the obligations as referred to in paragraph (3), the bids that have been submitted shall be rejected and/or shall not be processed by Bank Indonesia.

Article 17

- (1) Monetary Operation participants must have rupiah demand deposit accounts with Bank Indonesia.
- (2) Monetary Operation participants must have securities accounts with the BI-SSSS and/or custodians designated by Bank Indonesia.
- (3) Monetary Operation participants taking part in Monetary Operations must provide adequate funds in their rupiah demand deposit accounts with Bank Indonesia and/or adequate securities in their securities accounts in BI-SSSS or at custodians for the settlement of their obligations at the time of the completion of the transactions.

- (4) Monetary Operation participants making transactions in foreign exchange market must provide funds at Bank Indonesia or transfer funds to the accounts of Bank Indonesia in an adequate amount for the settlement of payment liabilities on the date of transaction settlement.
- (5) In the event that Monetary Operation participants do not meet the obligations as referred to in paragraph (3), the relevant Monetary Operation transactions shall be declared void, except transactions in foreign exchange market.

Article 18

In the context of the settlement of Monetary Operation transactions, Bank Indonesia shall have the authority to debit the demand deposit accounts at Bank Indonesia and/or securities in BI-SSSS and/or custodians owned by the Monetary Operation participants.

CHAPTER VI

SANCTIONS

Article 19

- (1) For the cancellation of transactions as referred to in Article 17 paragraph (5), Monetary Operation participants shall be subject to sanctions in the form of:
 - a. Written reprimand; and
 - b. Financial penalty in the amount of 0.01% (one per ten thousandth) of the nominal value of the cancelled Monetary Operation transactions, in the minimum amount of Rp10,000,000.00 (ten million rupiah) and in the maximum amount of Rp100,000,000.00 (one hundred million rupiah).

- (2) In the event of the third cancellation of transactions during 6 (six) month-tenure, in addition to the sanctions as referred to in paragraph (1), Monetary Operation participants shall also be subject to temporary suspension of its participation in Monetary Operations for 5 (five) consecutive business days.

Article 20

- (1) In the event that Monetary Operation participants making transactions in foreign exchange market do not meet the obligations as referred to in Article 17 paragraph (4), the relevant Monetary Operation participants must pay the nominal value of the transactions on the subsequent business day following the date of transaction settlement.
- (2) The Monetary Operation participants as referred to in paragraph (1) shall also be subject to the following sanctions:
- a. Written reprimand; and
 - b. Financial penalty calculated based on:
 1. Interest rate of Fed Fund applicable on the date of the transaction settlement plus 200 (two hundred) basis points multiplied by the nominal value of the transactions multiplied by $\frac{1}{360}$ (one per three hundred and sixty) for the settlement of payment liabilities in US Dollars;
 2. Interest rate issued by the central bank or monetary authority in the relevant state of currency (official rate) applicable on the date of the transaction settlement plus 200 (two hundred) basis points multiplied by the nominal value of the

transactions multiplied by $1/360$ (one per three hundred and sixty) for the settlement of payment liabilities in foreign currency other than US Dollars; or

3. The applicable BI Rate plus 200 (two hundred) basis points multiplied by the nominal value of the transactions multiplied by $1/360$ (one per three hundred and sixty) for the settlement of payment liabilities in rupiah.

(3) The settlement of liabilities to pay the nominal value of transactions as referred to in paragraph (1) and the sanctions as referred to in paragraph (2) shall be imposed by:

- a. debiting the US Dollar demand deposit accounts of the Monetary Operation participants with Bank Indonesia for the settlement of payment liabilities in foreign currency. For payment liabilities in foreign currency other than US Dollar, the indicative exchange rate from Reuters at 08.00 Western Indonesia Time on the charging date shall be used.
- b. debiting the rupiah demand deposit accounts of the Monetary Operation participants with Bank Indonesia for the settlement of their payment liabilities in rupiah.

Article 21

SBI holders who become Monetary Operation participants and violate the provisions of Article 13 paragraph (1) and/or other parties who have been appointed to support

the administration of SBI and violate the provisions of Article 13 paragraph (3) shall be subject to the following sanctions:

- a. written reprimand; and
- b. financial penalty in the amount of 0.01% (one per ten thousandth) of the nominal value of the cancelled Monetary Operation transactions, in the minimum amount of Rp10,000,000.00 (ten million rupiah) and in the maximum amount of Rp100,000,000.00 (one hundred million rupiah) per day.

CHAPTER VII

TRANSITION

Article 22

Transactions on SBI made following the coming into effect of this Bank Indonesia regulation, which constitute parts of transactions which have already been made prior to the coming into effect hereof, shall be exempted from the provisions of Article 13 until the maturity of the transactions concerned.

CHAPTER VIII

CLOSING

Article 23

Operational rules of this Bank Indonesia Regulation shall be further set out in a Bank Indonesia Circular Letter.

Article 24

Following the enactment of this Bank Regulation:

- a. Bank Indonesia Regulation Number 4/9/PBI/2002 dated November 18, 2002 concerning Open Market Operation;
- b. Bank Indonesia Regulation Number 6/4/PBI/2004 dated February 16, 2004 concerning Amendment to Bank Indonesia Regulation Number 4/9/PBI/2002 concerning Open Market Operation;
- c. Bank Indonesia Regulation Number 6/33/PBI/2004 dated December 31, 2004 concerning the Second Amendment to Bank Indonesia Regulation Number 4/9/PBI/2002 concerning Open Market Operation;
- d. Bank Indonesia Regulation Number 7/30/PBI/2005 dated September 13, 2005 concerning the Third Amendment to Bank Indonesia Regulation Number 4/9/PBI/2002 concerning Open Market Operation;
- e. Bank Indonesia Regulation Number 10/14/PBI/2008 dated September 23, 2008 concerning the Fourth Amendment to Bank Indonesia Regulation Number 4/9/PBI/2002 concerning Open Market Operation;
- f. Bank Indonesia Regulation Number 10/21/PBI/2008 dated October 15, 2008 concerning the Fifth Amendment to Bank Indonesia Regulation Number 4/9/PBI/2002 concerning Open Market Operation;
- g. Bank Indonesia Regulation Number 4/10/PBI/2002 dated November 18, 2002 concerning Bank Indonesia Certificates; and
- h. Bank Indonesia Regulation Number 6/5/PBI/2004 dated February 16, 2004 concerning Amendment to Bank Indonesia Regulation Number 4/10/PBI/2002 dated November 18, 2002 concerning Bank Indonesia Certificates,

shall be revoked and declared null and void.

Article 25

This Bank Indonesia Regulation shall be effective on July 7, 2010.

For the purpose of public cognizance, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

On July 2, 2010

Acting GOVERNOR OF BANK INDONESIA,

DARMIN NASUTION

Promulgated in Jakarta

On July 2, 2010

MINISTER OF LAW AND HUMAN RIGHTS OF
THE REPUBLIC OF INDONESIA,

PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2010 NUMBER

ELUCIDATION
ON
BANK INDONESIA REGULATION
NUMBER: 12/ 11 /PBI/2010
CONCERNING
MONETARY OPERATIONS

GENERAL

In the context of supporting Bank Indonesia's goals to achieve and maintain the stability of rupiah value, Bank Indonesia exercise monetary management as mandated by Article 10 paragraph (1) letter (b) of Act Number 23 Year 1999 concerning Bank Indonesia as most recently amended by Act Number 6 Year 2009 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 Year 2008 concerning the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia into an Act. One of the indicators of successful achievement of the aforementioned goals is the achievement of the targeted medium-term inflation rate as the final goal of the implementation of Bank Indonesia's task in the monetary sector.

In the context of achieving the final goal of monetary policies, Bank Indonesia has been applying monetary policy framework which is focused on the control of interest rate. Bank Indonesia sets the interest rate of short-term money market as the operational target. In order to achieve the aforementioned operational target, Bank Indonesia conducts monetary management measures in the forms of liquidity absorption and/or liquidity injection. Such monetary management measures are taken, among other things, through open market operation, either in rupiah

market or foreign exchange market. Open market operation in foreign exchange market is carried out by way of sterilization/intervention in the foreign exchange market in the context of stabilizing the rupiah.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

Referred to as “short-term money market interest rate” shall be the interest rate of overnight inter-bank money market (IBMM O/N).

Referred to as “IBMM O/N interest rate” shall be the interest rate of inter-bank money lending and borrowing transaction in the rupiah currency during 1 (one) day-tenure (overnight).

Article 3

Self-explanatory.

Article 4

The implementation of OMO, including sterilization/intervention in foreign exchange market, shall be conducted by Bank Indonesia in the context of the stabilization of rupiah.

Article 5

Letter a

Referred to as “SBI issuance” is the sale of SBI by Bank Indonesia in the primary market.

Letter b

Referred to as “repurchase agreement (repo) transaction” shall be transaction on the sale of securities by Monetary Operation participants to Bank Indonesia with the obligation of the Monetary Operation participants to repurchase the securities at the agreed price and during the agreed tenure.

Referred to as “reverse repo transaction” shall be transaction on the purchase of securities by Monetary Operation participants from Bank Indonesia with the obligation of the Monetary Operation Participants to resell the securities at the agreed price and during the agreed tenure.

Referred to as “securities” shall be SBI, SBN and other high quality and highly liquid securities determined by Bank Indonesia.

Letter c

Referred to as “transaction on outright purchase and sale of securities” shall be out-and-out purchase and sale of securities.

Referred to as “securities” shall be SBN and other high quality and highly liquid securities determined by Bank Indonesia.

Letter d

Referred to as “term deposit” shall be the placement of rupiah funds of the Monetary Operation participants during certain tenure with Bank Indonesia.

Letter e

Sale and purchase of foreign currencies against rupiah shall be conducted, among other things, in the form of spot, forward and swap transactions.

Referred to as “spot” shall be sale/purchase transaction on foreign currencies against rupiah, the funds of which shall be delivered within 2 (two) business days following the date of transaction. In such transaction, it shall be possible to negotiate either to deliver foreign exchange on the same day (today) or on 1 (one) business day following the date of transaction (tomorrow).

Referred to as “forward” shall be sale/purchase transaction on foreign currencies against rupiah, the funds of which shall be delivered within more than 2 (two) business days following the date of transaction.

Referred to as “swap” shall be the exchange of foreign currencies against rupiah through spot purchase/sale with forward sale/purchase conducted simultaneously, with the same counterpart and at a price made and agreed upon on the date of the transaction.

Article 6

Paragraph (1)

Referred to as “business day” shall be the business day of Bank Indonesia, including the limited business days of Bank Indonesia.

Paragraph (2)

Auction mechanism may be carried out by using fixed rate tender method or variable rate tender method. The non-auction mechanism

shall be implemented bilaterally between Bank Indonesia and OMO participants.

Article 7

Self-explanatory.

Article 8

The use of other parties' securities by Bank Indonesia in OMO activities shall be based on an agreement between Bank Indonesia and the owners of the securities.

Article 9

Paragraph (1)

Letter a

The rupiah lending facility shall be conducted by using the mechanism of securities repurchase agreement (repo).

Referred to as "securities" shall be SBI, SBN and other high quality and highly liquid securities determined by Bank Indonesia.

Letter b

The deposit facility shall be conducted without the issuance of securities.

Paragraph (2)

Self-explanatory.

Article 10

Paragraph (1)

Referred to as “business day” shall be the business day of Bank Indonesia, including the limited business days of Bank Indonesia.

Paragraph (2)

The non-auction mechanism in *Standing Facilities* shall be implemented bilaterally between Bank Indonesia and Banks.

Article 11

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Referred to as “scripless” shall be the issuance of SBI without any physical certificate, and proof of ownership for SBI holders shall be in the form of electronic recording.

Letter d

SBI may be assigned through trading activities in the secondary market, among other things, by ways of repurchase agreement (repo), outright sale/purchase or collateralization.

Article 12

Self-explanatory.

Article 13

Paragraph (1)

Transactions on SBI with other parties shall include, among other things, repurchase agreement (repo) transaction, outright sale, grant and collateralization.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 14

Self-explanatory.

Article 15

Paragraph (1)

Letter a

Referred to as “other parties” shall be, among other things, non-Bank legal entities and other entities.

Letter b

Self-explanatory.

Paragraph (2)

Referred to as “intermediaries” shall include, among other things, brokers in rupiah and foreign exchange and/or brokers of capital market stipulated by Bank Indonesia.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 16

Referred to as “cancelling” bid shall be the Bank withdraws the bid which have been submitted.

Article 17

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Lending facility in Bank Indonesia shall be applicable for the obligation for the settlement of transactions in rupiah. The settlement of transactions in foreign exchange is conducted by transferring funds to the designated account of Bank Indonesia.

Paragraph (5)

Self-explanatory.

Article 18

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Self-explanatory.

Article 24

Self-explanatory.

Article 25

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 5141

DPM